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SEMIANNUAL REPORT ON SANCTIONS AGAINST IRAN

COMPLETED

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A REPORT ON ACTIONS TAKEN SINCE APRIL 17, 1980, AND CHANGES IN PREVIOUSLY-REPORTED INFORMATION, WITH RESPECT TO EXECUTIVE ORDERS 12170, 12205 AND 12211, PURSUANT TO SECTION 204(C) OF THE INTERNATIONAL EMERGENCY ECONOMIC POWERS ACT

DECEMBER 4, 1980.—Message and accompanying papers referred to the Committee on Foreign Affairs and ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

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To the Congress of the United States:

On November 14, 1979, in Executive Order No. 12170 I declared a national emergency to deal with the threat to the national security, foreign policy and economy of the United States constituted by the situation in Iran. That declaration was made pursuant to the authority vested in me as President by the Constitution and statutes of the United States, including the International Emergency Economic Powers Act (50 U.S.C. 1701 *et seq.*) and the National Emergencies Act (50 U.S.C. 1601 *et seq.*). I reported that declaration to the Congress on November 14, 1979, pursuant to Section 204(b) of the International Emergency Economic Powers Act (the Act).

On April 7, 1980, I issued Executive Order No. 12205, pursuant to the November 14, 1979, declaration of national emergency, which provided for certain trade, financial and other measures against Iran and its nationals. I reported that action to the Congress on April 7, 1980, pursuant to Section 204(b) of the Act.

On April 17, 1980, in Executive Order No. 12211 I declared a national emergency to deal with the threat to the national security, foreign policy and economy of the United States that was referred to in Executive Order No. 12170 and Executive Order No. 12205 and to deal with the added unusual and extraordinary threat to the national security, foreign policy and economy of the United States created by subsequent event in Iran and neighboring countries, including the Soviet invasion of Afghanistan. That declaration was made pursuant to the authority vested in me as President by the Constitution and statutes of the United States, including the Act, and the National Emergencies Act. I reported that declaration to the Congress on April 17, 1980, pursuant to Section 204(b) of the Act.

Pursuant to Section 204(c) of the Act (50 U.S.C. 1703(c)), I hereby report to the Congress with respect to action that I have taken since April 17, 1980, pursuant to Executive Orders Nos. 12170, 12205 and 12211 and with respect to such changes as have occurred concerning the information previously reported to the Congress.

1. Pursuant to the three Executive Orders, the Department of the Treasury, acting under my delegation of authority to the Secretary of the Treasury, has issued a series of regulations that prohibit imports of goods and services from Iran or of Iranian origin (other than for news dissemination), payments or transfers of funds or other property to any person in Iran (except for news-gathering activities and family remittances) and payments and transactions in support of travel to or travel and maintenance within Iran of U.S. citizens and U.S. permanent resident aliens.

2. As I directed in Executive Order No. 12211, prior licenses for transactions by persons subject to the jurisdiction of the United States with Iran Air, the National Iranian Oil Company and the National

Iranian Gas Company have been revoked with the effect that their offices in the United States have been closed down.

3. Pursuant to Executive Orders Nos. 12170 and 12211, the Department of the Treasury, acting under my delegation of authority to the Secretary of the Treasury, issued on July 2, 1980, a proposed rule which would require that certain types of blocked Iranian property be held in interest-bearing status. Comments have been received on the proposed rule, but a final rule has not yet been issued.

4. The Justice Department has filed Suggestions of Interest with all courts considering litigation involving the Government of Iran, its agencies and instrumentalities asking those courts to stay proceedings for ninety days in cases pending before them in light of the serious foreign policy consequences of further proceedings at this time. A number of courts have granted this request; including the only two Courts of Appeals to rule on the requested stay. Other courts have denied the request and are proceeding to consider the merits of the cases pending before them.

5. A census of blocked Iranian assets and claims against Iran and Iranian entities, which was provided for in regulations issued by the Department of the Treasury on April 9, 1980, has been undertaken.

6. On November 2, 1980, the Iranian Parliament adopted a resolution establishing its terms for the release of the hostages. Since that time various messages have been transmitted between the Government of Iran and the Government of the United States using the Government of Algeria as an intermediary.

7. On November 12, 1980, I transmitted to the Congress a Notice of the continuance after November 14, 1980, of the national emergency which I declared in Executive Order No. 12170.

8. The national emergencies which I declared in connection with the threat to the national security, foreign policy and economy of the United States arising from events in Iran during November 1979, and subsequent events in Iran and neighboring countries, including the Soviet invasion of Afghanistan, continue to exist. Those threats and the rationale for taking steps under the Act continue to the present time. I shall continue to exercise the powers at my disposal to deal with those threats.

9. I am transmitting herewith regulations issued since April 17, 1980, pursuant to the three Executive Orders referred to above, together with the proposed rule requiring that certain types of blocked Iranian property be held in interest-bearing status.

JIMMY CARTER.

THE WHITE HOUSE, *December 4, 1980.*

[From the Federal Register, April 21, 1980]

DEPARTMENT OF THE TREASURY

Office of Foreign Assets Control

(31 CFR Part 535)

IRANIAN ASSETS CONTROL REGULATIONS; ADDITIONAL PROHIBITIONS

Agency.—Office of Foreign Assets Control, Department of the Treasury.

Action.— Final Rule.

Summary.—The Office of Foreign Assets Control is amending the Iranian Assets Control Regulations. The purpose of the amendment is to impose additional prohibitions on dealings with Iran. The need for the amendment is to implement the provisions of Executive Order No. 12211, signed by the President on April 17, 1980. The effect of the amendment is that imports of goods from Iran or of Iranian origin merchandise are prohibited; that payments or transfers of funds or other property to any person in Iran are prohibited; and that payments and transactions in support of travel to and maintenance within Iran of U.S. citizens and U.S. permanent resident aliens are prohibited.

Effective date.—April 17, 1980.

For further information contact.—Dennis M. O'Connell, Chief Counsel, Office of Foreign Assets Control, Department of the Treasury, Washington, D.C. 20220.

Supplementary information.—Since the regulations involve a foreign affairs function, the provisions of the Administrative Procedure Act, 5 U.S.C. 553, requiring notice of proposed rule making, opportunity for public participation and delay in effective date are inapplicable.

The prohibition set forth in new § 535.209 on payments and transactions in support of travel to and maintenance within Iran by U.S. citizens and permanent resident aliens does not apply to U.S. citizens or permanent resident aliens who are also citizens of Iran.

Paragraph (a) of new § 535.562 authorizes imports of news materials by newsgathering agencies, notwithstanding the prohibitions on imports in § 535.204. Paragraph (b) of § 535.562 authorizes transactions in connection with newsgathering activities of journalists and news correspondents, notwithstanding the travel and maintenance payment restrictions of § 535.209 and the import restrictions of § 535.204 and the prohibitions in § 535.201 on payments or other transfers of property in which Iran or an Iranian entity has an interest.

In addition, new § 535.563 authorizes remittances to any close relative who is a citizen of Iran and who is a resident of and within Iran notwithstanding the new prohibition on the payment or transfer of any funds or other property to any person in Iran. The prohibitions do not affect remittances from Iran.

The new prohibitions on payments or other financial transfers in § 535.206(a)(4) bars any withdrawal from, or debit to, an account within the United States by a person in Iran for purposes of any transfer to any person in Iran. However, such an account is not a blocked account and may be used for payments or transfers within the United States.

31 CFR, Part 535 is amended as follows:

1. § 535.204 is added as follows:

§ 535.204 Imports from Iran or Iranian merchandise.

Except as specifically authorized by the Secretary of the Treasury (or by any person, agency, or instrumentality designated by him) by means of regulations, rulings, instructions, licenses, or otherwise, no merchandise, other goods or services of Iranian origin may be imported into the United States if such merchandise or goods are or have been located in or transported from or through Iran after the effective date of this section.

2. § 535.206 is amended by the addition of paragraph (a)(4) as follows:

§ 535.206 Financial transactions.

(a) * * *

(4) Make any payment, transfer of credit, or other transfer of funds or other property or interests therein to any person in Iran.

* * * * * * *

3. § 535.208 is amended by the addition of paragraph (c) as follows:

§ 535.208 Evasions; effective date.

* * * * * * *

(c) With respect to any amendments of the foregoing sections or any other amendments to this part the term "effective date" shall mean the date of filing with the Federal Register.

4. § 535.209 is added as follows:

§ 535.209 Transaction incident to travel and maintenance of U.S. nationals in Iran prohibited.

(a) The following actions by persons subject to the jurisdiction of the United States are prohibited:

(1) Any direct or indirect payment or transaction (including any transfer, other dealing in, or use of property) either to, by, or on behalf of, or otherwise involving, any foreign country or any national thereof, which is incident to travel to, or travel or maintenance within Iran of any individual who is a U.S. citizen or U.S. permanent resident alien.

(b) The prohibitions of paragraph (a) of this section do not apply to transactions incident to travel or maintenance within Iran of individuals who are citizens of Iran.

(c) The effective date of this prohibition, as it relates to payments by or for the benefit of U.S. citizens or U.S. permanent resident aliens in Iran is April 24, 1980.

5. § 535.562 is added as follows:

§ 535.562 News material.

(a) *Imports by newsgathering agencies.* The purchase and importation of Iranian origin newspapers, magazines, photographs, films, tapes, and other news material or copies thereof by newsgathering agencies in the United States are authorized, without restriction as to method of payment, provided such materials are intended for use in news publication or news broadcast dissemination.

(b) *Newsgathering activities in Iran by journalists and news* correspondents. The following transactions by a journalist or other person who is regularly employed by a newsgathering or transmitting organization who travels to Iran or is within Iran for the purposes of gathering or transmitting news, filming news or making documentary films, or similar activities are authorized:

(1) Payments of expenses for travel to, and maintenance within, Iran for the purposes of gathering and transmitting news to the United States; and

(2) The acquisition in Iran for transmission to and importation into the United States of newspapers, magazines, photographs, films, tapes, and other news material or copies thereof, necessary for the journalistic assignments;

(3) Within 5 days after engaging in the initial transaction with respect to a trip to or stay within Iran covered by this paragraph, the person engaging in the transaction, or the organization by which such person is employed, shall notify the Office of Foreign Assets Control. The notification shall include the name of the person upon whose behalf the general license is being used. Within 5 days after his departure from Iran, any person utilizing the general license shall send a second notification to the Office of Foreign Assets Control that he has departed Iran.

6. § 535.563 is added as follows:

§ 535.563 Family remittances to Iran.

(a) Remittances to any close relative of the remitter or of the remitter's spouse, who is a citizen of Iran and who is a resident of and within Iran, are authorized provided they do not involve any debit to a blocked account and are for the support of the payee and members of his household.

(b) The term "close relative" used with respect to any person means spouse, child, grandchild, parent, grandparent, uncle, aunt, brother, sister, nephew, neice, or spouse, widow, widower of any of the foregoing.

(c) the term "member of a household" used with respect to any person means a close relative sharing a common dwelling with such person.

Authority: Sec. 201–207, 91 Stat. 1626, 50 U.S.C. 1701–1706; E.O. No. 12170, 44 FR 65729, E.O. No. 12205, 45 FR 24099; E.O. No. 12211, 45 FR 26685.

Dated: April 17, 1980.

STANLEY L. SOMMERFIELD,
Director.

Approved:

RICHARD J. DAVIS,
Assistant Secretary.

[From the Federal Register, May 2, 1980]

DEPARTMENT OF THE TREASURY

Office of Foreign Assets Control

(31 CFR Part 535)

IRANIAN ASSETS CONTROL REGULATIONS

Agency.—Office of Foreign Assets Control, Department of the Treasury.

Action.—Final rule.

Summary.—The Office of Foreign Assets Control is amending the Iranian Assets Control Regulations. The purpose of the amendment is to add certain interpretative provisions, licenses and statements of licensing policy, and procedural provisions. The need for the amendments is to clarify the effect and scope of additional prohibitions added to the Regulations by amendments published on April 9 and 21, 1980. The effect of the amendment is that these additional interpretative, policy and procedural provisions will now be available in published form.

Effective date.—April 30, 1980.

For further information contact.—Dennis M. O'Connell, Chief Counsel, Office of Foreign Assets Control, Department of the Treasury, Washington, D.C. 20220.

Supplementary information.—Since the regulations involve a foreign affairs function, the provisions of the Administrative Procedure Act, 5 U.S.C. 553, requiring notice of proposed rule making opportunity for public participation and delay in effective date are inapplicable.

On April 9, 1980, the Office published §§ 535.206 and 535.207 imposing additional financial and trade sanctions on Iran. (45 FR 24432.) New § 535.429 published today interprets the trade prohibition in § 535.207(a)(1) as including the exportation of technical data in any form. New § 535.430 further interprets the prohibition as including the sale, supply or other transfer of items, commodities or products for incorporation in foreign-manufactured goods where the U.S. exporter has reasonable cause to believe that the foreign-manufactured goods are intended for export to Iran.

New § 535.575 is a general license for the exportation to Iran of newspapers, magazines, journals, newsletters, books, films, phonograph records, photographs, microfilms, microfiche, tapes and similar material. The general license does not apply to materials which are principally devoted to the dissemination of technical data.

New § 535.577 is a general license for the exportation to Iran of household goods and personal effects of Iranian individuals departing the United States. The general license does not apply to goods in commercial quantities.

New § 535.603 sets forth the procedure to be followed in giving notice to the Office pursuant to §§ 535.206(b) and 535.207(b) which require notice by the U.S. parent firm 10 days prior to entry of its

foreign affiliate into any transaction covered by §§ 535.206(a) and 535.207(a).

On April 21, 1980, the Office published additional restrictions with respect to Iran, including prohibitions on remittances to any person in Iran, travel restrictions, and a prohibition on imports from Iran and of Iranian-origin goods. (45 FR 26940.)

New § 535.426 clarifies the prohibition on remittances. Remittances to third countries are not prohibited unless the remitter knows or has reasonable cause to believe that the remitted funds are being transferred to the country of Iran. The new section also clarifies the liability of remitting banks under § 535.206(a)(4). It makes clear that U.S. banks are not responsible for policing the multitude of items processed electronically but must not complete transactions where current and actual knowledge provides information that gives reasonable cause to believe that the remittance is prohibited.

New § 535.427 clarifies that the prohibition in § 535.206((a)(4) includes payments of dividends, interest, and other periodic payments.

New § 535.428 explains that acceptance of free sponsorship or support for travel to or travel and maintenance in Iran is a "transaction" or "transfer" prohibited by the travel restrictions of § 535.209(a).

New § 535.431 clarifies that the prohibition on importation of Iranian-origin merchandise does not apply to such merchandise where the bill of lading is dated on or before April 17, 1980, indicating that the merchandise left on or before that date.

New § 535.528 authorizes certain transactions by persons subject to the jurisdiction of the United States in connection with the filing and prosecution of an application for, or certain other proceedings involving, an Iranian patent, trademark, or copyright.

New § 535.550 sets forth the licensing policy on imports of publications and similar items from Iran.

New §§ 535.562(c) and 535.578 are general licenses authorizing the importation of passengers' baggage by U.S. citizens, dual nationals, persons engaged in news gathering operations and certain other persons.

The general license in § 535.563 for family remittances is being amended by the addition of paragraph (d) placing a monthly limit of $1,000 on such remittances per payee or per household.

New § 535.576 contains a general license authorizing payment by persons subject to the jurisdiction of the United States of existing non-dollar letters of credit in favor of Iranian entities or persons in Iran where letters of credit are denominated in foreign currencies.

1. Section 535.426 is added as follows:

§ 535.426 Remittances involving persons in Iran.

(a) Remittances to countries other than Iran are not prohibited by § 535.206(a)(4) unless the remitter knows or has reasonable cause to believe that the funds are being transferred directly or indirectly to Iran.

(b) Subject to the requirement of paragraph (c) of this section, liability of a U.S. bank under § 535.206(a)(4) in connection with a

payment made on the order of a party other than the bank is limited to the following transactions:

(1) Payment from an acconut held by the bank for a person located in Iran;

(2) Payment from any other account where the bank has actual and current knowledge of facts that give reasonable cause to believe that the payment is being made in violation of § 535.206(a)(4).

(c) U.S. banks are required to disseminate information about the prohibitions contained in § 535.206(a)(4) and the provisions of this section to all officers and employees.

2. Section 535.427 is added as follows:

§ 535.427 Dividends, interest, and other periodic payments to Iran.

The prohibition of transfers to persons in Iran contained in § 535.206(a)(4) applies to all payments and transfers, including payment or transfer of dividend checks, interest payments and other periodic payments.

3. Section 535.428 is added as follows:

§ 535.428 Sponsored travel and maintenance of U.S. nationals in Iran.

The receipt or acceptance by any person who is a U.S. citizen or U.S. permanent resident alien of any gratuity, grant, or support in the form of meals, lodging, payments of travel of maintenance expenses, or otherwise, in connection with travel to or travel and maintenance within Iran constitutes a transaction or transfer within the meaning of the prohibition set forth in § 535.209(a).

4. Section 535.429 is added as follows:

§ 535.429 Exportation of technical data prohibited.

(a) The prohibition in § 535.207(a)(1) includes transfers of information, in eye-readable or machine-readable form, intended for use, directly or indirectly, in the design, production, manufacture, reconstruction, servicing, operation or use of any product.

(b) The prohibition on the exportation of technical data extends not only to unpublished technical information that is not available to the public, but also to published technical data such as operating, repair or service manuals for automotive or industrial equipment that are available through commercial sources such as book distributors.

5. Section 535.430 is added as follows:

§ 535.430 U.S. components of foreign-made goods.

The prohibitions in § 535.207(a)(1) apply to the sale, supply or other transfer after the effective date of § 535.207 of items, commodities or products for incorporation in foreign-manufactured goods where the person subject to the jurisdiction of the United States has reasonable cause to believe that those goods are intended for export to Iran.

6. Section 535.431 is added as follows:

§ 535.431 Goods in transit.

Shipments of Iranian origin merchandise covered by a bill of lading dated on or before April 17, 1980 are not within the prohibition in § 535.204.

7. Section 535.528 is added as follows:

§ 535.528 Certain transactions with respect to Iranian patents, trademarks and copyrights authorized.

(a) The following transactions by any person subject to the jurisdiction of the United States are authorized:

(1) The filing and prosecution of any application for an Iranian patent, trademark or copyright, or for the renewal thereof;

(2) The receipt of any Iranian patent, trademark or copyright;

(3) The filing and prosecution of opposition or infringement proceedings with respect to any Iranian patent, trademark, or copyright, and the prosecution of a defense to any such proceedings;

(4) The payment of fees currently due to the government of Iran, either directly or through an attorney or representative, in connection with any of the transactions authorized by paragraphs (a)(1), (2), and (3) of this section or for the maintenance of any Iranian patent, trademark or copyright; and

(5) The payment of reasonable and customary fees currently due to attorneys or representatives in Iran incurred in connection with any of the transactions authorized by paragraphs (a)(1), (2), (3) or (4) of this section.

(b) Payments effected pursuant to the terms of paragraph (a)(4) and (5) of this section may not be made from any blocked account.

(c) As used in this section the term "Iranian patent, trademark, or copyright" shall mean any patent, petty patent, design patent, trademark or copyright issued by Iran.

8. Section 535.550 is added as follows:

§ 535.550 Publications, films, etc. from Iran.

(a) Specific licenses are issued as appropriate for importations of publications, films, posters, phonograph records, photographs, microfilms, microfiche and tapes originating in Iran. All payments due the suppliers will be required to be made into accounts in domestic banks subject to the provisions of § 535.201 or § 535.206(a)(4). Such an account shall be established in the name of the seller and the licensee shall report such information concerning the importation and the account established in the name of the seller as the Office of Foreign Assets Control may require as a condition of the license.

(b) Such importations of publications, films, etc. are also licensed as appropriate when the Office of Foreign Assets Control is satisfied that they are bona fide gifts to the importer and that there is not and has not been any direct or indirect financial or commercial benefit to an Iranian entity or any person in Iran from the importations.

9. Section 535.562 is amended by the addition of new paragraph (c) as follows:

§ 535.562 News material.

* * * * * * *

(c) *Accompanied baggage of journalists and news correspondents.* All transactions incident to the importation into the United States of

accompanied baggage of a journalist or other person referred to in paragraph (b) of this section are authorized, provided that such baggage does not contain goods in commercial quantities.

10. Section 535.563 is amended by the addition of new paragraphs (d) and (e) as follows:

§ 535.563 Family remittances to Iran.

* * * * * * *

(d) Remittances authorized by this section are limited to $1000 per month to any one payee or to any one household.

(e) Any remittance exceeding the amount specified in paragraph (d) of this section would require a specific license.

11. Section 535.575 is added as follows:

§ 535.575 Exports of newspapers, magazines, films, etc. to Iran.

All transactions not inconsistent with § 535.419 and ordinarily incident to the export to Iran of newspapers, magazines, journals, newsletters, books, films, phonograph records, photographs, microfilms, microfiche, tapes or similar materials are authorized, except such materials which are principally devoted to the dissemination of technical data.

12. Section 535.576 is added as follows:

§ 535.576 Payment of non-dollar letters of credti to Iran.

Notwithstanding the prohibitions of §§ 535.201 and 535.206(a)(4), payment of existing non-dollar letters of credit in favor of Iranian entities or any person in Iran by any foreign branch or subsidiary of a U.S. firm is authorized, provided that the credit was opened prior to the respective effective date.

13. Section 535.577 is added as follows:

§ 535.577 Household goods and personal effects.

All transactions incident to the exportation to Iran of household goods and personal effects of an Iranian individual departing the United States are authorized, provided that no goods in commercial quantities may be exported under this general license.

14. Section 535.578 is added as follows:

§ 535.578 Passengers' baggage and personal effects.

(a) All transactions incident to the importation into the United States of baggage, household goods and personal effects of the following persons are authorized, provided that such importation does not include goods in commercial quantities:

(1) United States citizens and U.S. resident aliens who departed Iran on or before April 24, 1980;

(2) Third country nationals; and

(3) Dual nationals of the United States and Iran.

(b) All transactions incident to the importation into the United States of baggage, household goods and personal effects of an Iranian national who enters the United States on a visa issued by the Department of State are authorized, provided that such importation does not include goods in commercial quantities.

(c) All transactions incident to the importation into the United States of baggage and personal effects of a crew member of vessels

or aircraft in the United States on temporary sojourn are authorized, provided that such importation does not include goods in commercial quantities and any such articles are intended for export from the United States with the crew member upon his departure.

15. Section 535.603 is added as follows:

§ 535.603 Report of Proposed Subsidiary Transaction With Iran.

(a) A U.S. company required by § 535.206(b) or § 535.207(b) to submit a report to the Office of Foreign Assets Control regarding a proposed transaction with Iran by a subsidiary shall submit a letter containing the following information:

(1) Name of the foreign subsidiary involved.
(2) Location.
(3) Description of the merchandise.
(4) Value.
(5) Ultimate Iranian consignee.
(6) Identity of any intermediary firm(s).
(7) End-use.
(8) Payment terms.

(b) The report shall be addressed as follows: Ms. Susan Swinehart, Chief of Licensing, Office of Foreign Assets Control, Treasury Department, Washington, D.C. 20220. Att: Section 535.603 Report—Expedite.

(c) The report must be submitted in sufficient time to reach the Office of Foreign Assets Control 10 days before any subsidiary enters into any transaction covered by § 535.206 or § 535.207.

(Sec. 201–207, 91 Stat. 1626, 50 U.S.C. 1701–1706; E.O. 12170, 44 FR 65729, E.O. No. 12205, 45 FR 24099; E.O. No. 12211, 45 FR 26685)

Dated: April 30, 1980.

STANLEY L. SOMMERFIELD,
Director.

Approved.

RICHARD J. DAVIS,
Assistant Secretary.

[From the Federal Register, June 3, 1980]

DEPARTMENT OF THE TREASURY

OFFICE OF FOREIGN ASSETS CONTROL

(31 CFR Part 535)

IRANIAN ASSETS CONTROL REGULATIONS; TRAVEL-RELATED SERVICES

Agency.—Office of Foreign Assets Control, Department of the Treasury.

Action.—Final rule.

Summary.—The Office of Foreign Assets Control is amending the Iranian Assets Control Regulations. The purpose of the amendment is to add new § 535.432, interpreting the prohibition in § 535.209(a). The need for the amendment is to make it clear that all travel-related

transactions by any person subject to the jurisdiction of the United States in connection with travel to or within Iran by U.S. citizens or U.S. permanent resident aliens are prohibited. The effect of the amendment is that this clarification will be available in published form to all interested members of the public, such as airlines, travel agents, ticket agents and similar persons.

Effective date.—May 30, 1980.

For further information contact.—Dennis M. O'Connell, Acting Director, Office of Foreign Assets Control, Department of the Treasury, Washington, D.C. 20220.

Supplementary information.—Since the regulations involve a foreign affairs function, the provisions of the Administrative Procedure Act, 5 U.S.C. 553, requiring notice of proposed rule making, opportunity for public participation and delay in effective date are inapplicable.

31 CFR Part 535 is amended by the addition of § 535.432 as follows:

§ 535.432 Provision of travel-related services.

Transactions prohibited by § 535.209(a) include all transactions by airlines, shipping lines, travel agents, ticket agents and similar persons subject to the jurisdiction of the United States in connection with arranging travel to or within Iran by U.S. citizens or U.S. permanent resident aliens, unless such travel is authorized or licensed under the provisions of this part. Such prohibited transactions include, but are not limited to, arranging through transportation to Iran; selling passages aboard a foreign carrier providing service to Iran, whether or not originating in the United States; chartering an aircraft or vessel; or arranging accommodations, ground transportation or travel activities within Iran.

Dated: May 30, 1980.

DENNIS M. O'CONNELL,
Acting Director.

Approved:

RICHARD J. DAVIS,
Assistant Secretary.

(Sec. 201–207, 91 Stat. 1626, 50 U.S.C. 1701–1706; E. O. No. 12170, 44 FR 65729; E. O. No. 12205, 45 FR 24099; E. O. No. 12111, 45 FR 26685)

[From the Federal Register, June 4, 1980]

DEPARTMENT OF THE TREASURY

OFFICE OF FOREIGN ASSETS CONTROL

(31 CFR Part 535)

IRANIAN ASSETS CONTROL REGULATIONS; CORRECTION

Agency.—Office of Foreign Assets Control, Department of the Treasury.

Action.—Correction.

Summary.—This correction document corrects two typographical errors in FR Doc. 80–12365, published in the Federal Register on April 21, 1980 (45 FR 26940).

Effective date.—April 17, 1980

For further information contact.—Dennis M. O'Connell, Acting Director, Office of Foreign Assets Control, Department of the Treasury, Washington, D.C. 20220.

In FR Doc. 80–12365, appearing at pages 26940 through 26941 in the Federal Register of April 21, 1980, an extra word, "other", was inadvertently included in the fourth line of § 535.209(a)(1), and the words "to" and "travel or" were omitted from the end of the third line of § 535.209(b). As corrected § 535.209 (a)(1) and (b) should read as follows:

§ 535.209 Transactions incident to travel and maintenance of U.S. nationals in Iran prohibited.

(a) • • •

(1) Any direct or indirect payment or transaction (including any transfer, other dealing in, or use of property) either to, by, on behalf of, or otherwise involving, any foreign country or any national thereof, which is incident to travel to, or travel or maintenance within Iran of any individual who is a U.S. citizen or U.S. permanent resident alien.

(b) The prohibitions of paragraph (a) of this section do not apply to transactions incident to travel to or travel or maintenance within Iran of individuals who are citizens of Iran.

• • • • • • •

Dated: May 30, 1980.

DENNIS M. O'CONNELL,
Acting Director.

Approved:

RICHARD J. DAVIS,
Assistant Secretary.

[From the Federal Register, July 7, 1980]

DEPARTMENT OF THE TREASURY

FOREIGN ASSETS CONTROL OFFICE

(31 CFR Part 535)

IRANIAN ASSETS CONTROL REGULATIONS

Agency.—Office of Foreign Assets Control, Department of the Treasury.

Action.—Proposed rule.

Summary.—The Office of Foreign Assets Control is proposing an amendment to the Iranian Assets Control Regulations. The purpose of the amendment would be to add § 535.205, requiring that certain types of blocked Iranian property be held in interest-bearing status. The need for the amendment is to ensure that blocked property is held

in a manner consistent with good management of the property and with the policy objectives of the Regulations. The effect of the amendment would be that most types of blocked Iranian property henceforth would be held in interest-bearing status.

Date.—Comments must be received on or before August 6, 1980.

Address.—Send comments to the Acting Director, Office of Foreign Assets Control, Department of the Treasury, Room 504, 1331 G Street, NW, Washington, D.C. 20220.

For further information contact.—Dennis M. O'Connell, Acting Director, Office of Foreign Assets Control, Department of the Treasury, Washington, D.C. 20220.

Supplementary information.—Since the Regulations involve a foreign affairs function, the provisions of the Administrative Procedure Act, 5 U.S.C. 553, requiring notice of proposed rule making, opportunity for public participation and delay in effective date are inapplicable. Nonetheless, because of the technical nature of the regulations, comments are being requested. However, the comment period has been limited to 30 days.

Paragraph (a) of § 535.205 would require either that property identified in paragraph (f) be transferred into an interest-bearing account or that interest be credited to the property in the hands of the present holder or obligor.

The requirement to credit interest would be effective as of December 1, 1979. Persons who held blocked property as of that date would be subject to the requirement. In certain cases, blocked bank accounts may already have been transferred at the request of the depositor from demand to interest-bearing status. Section 535.420, published December 28, 1979, makes clear that transfers of such deposits from demand to interest-bearing status at the request of the account owner are authorized by § 535.508, published on November 20, 1979. In addition, depositary institutions may have made such transfers on their own initiative, in view of the inequity of continuing to hold the funds in demand status and earning income on the funds while the depositor has not had the effective power to demand either withdrawal or payment on his order.

The December 1, 1979 effective date prevents any holder of blocked assets subject to the interest requirement from deriving any unjust enrichment from the fact that the emergency blocking action by the President, as a practical matter, converted obligations payable immediately or on demand into either deferred obligations or time deposits. This requirement is in furtherance of the preservation of the assets to ensure satisfaction of claims of Americans against the Government of Iran, a primary objective announced in the President's November 14, 1979, report to the Congress. It would be inequitable to permit the retention by holders of windfall profits derived from the interest-free use of blocked funds. Holders would have 30 days to comply with the interest requirement.

Paragraph (b) would defer the immediate effect of the interest requirement as to the amount of any set-off which would have been claimed against the owner by the holder of the blocked property absent the blocking of the assets. However, use of this exemption is subject to a duty to pay interest from the effective date of this section

if the set-off is ultimately not recognized, either because it is determined to be without merit under applicable l or is otherwise disallowed as part of a claims settlement.

With respect to standby letters of credit opened in favor of Iranian entities by U.S. account parties, three distinct situations should be noted. First, where there has been a demand and payment has been made by the bank into a blocked account in the name of the Iranian entity, this account would be subject to the interest requirement on the same basis as any other blocked bank account. (*See* paragraph (c)(1).)

Second, where no demand has yet been made under the letter of credit, there would be no matured obligation subject to the interest requirement. (Paragraph (c)(2) excludes unmatured obligations from the interest requirement.)

Third, where there has been a demand, but a substitute blocked account, in lieu of payment by the bank, has been established by the U.S. account party pursuant to a specific license issued under the provisions of § 535.568, that account is exempt. However, interest shall be due from the effective date of the section on any liquidated obligation of the U.S. account party to an Iranian entity on its underlying contract, performance of which is secured by the standby letter of credit. Liability for interest will be limited to interest on the obligation which is ultimately determined to exist and which is recognized either by judicial or quasi-judicial determination or for purposes of a claims settlement.

Paragraphs (d) and (e) set forth the rates of interest to be credited on various types of blocked property.

Paragraph (f) identifies the types of blocked property subject to the interest requirement: currency, bank deposits and bank accounts, and undisputed debts, claims or obligations which are either liquidated or matured. However, the provisions of section 535.205 do not apply to blocked Iranian property held by foreign affiliates of U.S. firms. The duty to credit interest will be determined by the law of the host country of the foreign affiliate.

Paragraph (g) states that the requirement to credit interest applies to the United States Government and any agency or instrumentality thereof, except as otherwise licensed by the Office.

Paragraph (h) defines the term "effective date" solely for purposes of this section to mean December 1, 1979.

31 CFR Part 535 is amended by the addition of § 535.205 as follows:

§ 535.205 Holding of certain types of blocked property in interest-bearing accounts.

(a) Except as otherwise provided or as licensed under this part, any person holding any property included in paragraph (f), or who held such property at any time on or since December 1, 1979, is prohibited from holding, withholding, using, transferring, engaging in any transaction involving, or exercising any right, power, or privilege with respect to any such property, unless it is held in an interest-bearing account, or unless interest is credited on the property by the holder in accordance with the provisions of this section. Persons subject to this requirement have thirty days from the date of publication of this section in the Federal Register to comply with the requirement.

(b) Persons who, absent the prohibitions of § 535.201, normally would have claimed a set-off against property which is subject to the provisions of paragraph (a) of this section are exempt from paragraph (a) to the extent of the set-off, *provided* however, that interest shall be due from the effective date of this section if the claim to a set-off is ultimately not recognized.

(c) The interest requirement of paragraph (a) applies to obligations under standby letters of credit, as defined in § 535.568, as follows:

(1) Where there has been a demand under the letter of credit and payment has been made by the bank into a blocked account in the name of the Iranian entity, that account is subject to the interest requirement of paragraph (a), in accordance with paragraph (f)(1).

(2) Where no demand has been made under the letter of credit, the contingent obligations of the bank and the account party are not subject to the interest requirement of paragraph (a), in accordance with paragraph (f)(2) which excludes unmatured obligations from the scope of the interest requirement.

(3) Where there has been a demand, but a substitute blocked account, in lieu of payment by the bank and reimbursement by the account party, has been established by the U.S. account party pursuant to a specific license issued under § 535.568, the substitute blocked account is exempt from the interest requirement of paragraph (a), *provided* however, that interest shall be due from the effective date of this section if any liquidated obligation of the account party to an Iranian entity on the underlying contract between the parties is ultimately determined to exist and is recognized.

(d) The rate of interest required by paragraph (a) on interest-bearing account or other obligations subject to the interest requirement shall be calculated as from December 1, 1979, and shall be not less than 5½%, *provided* however, that on amounts of $100,000 or more, the rate payable on 30-day certificates of deposits, as stated in Federal Reserve Board weekly release H.15, shall apply.

(e) Any account subject to the provisions of this section may be held at a higher rate than specified in paragraph (d) upon instruction of the account owner.

(f) The following types of property are subject to paragraph (a):

(1) currency, bank deposits and bank accounts subject to the provisions of § 535.201; and

(2) property subject to the provisions of § 535.201 which consists, in whole or in part, of undisputed and either liquidated or matured debts, claims, obligations or other evidences of indebtedness, to the extent of any amount that is undisputed and liquidated or matured: *Provided* however, that the duty to credit interest on any property subject to the provisions of § 535.201 which, as of the effective date of this section, was held by a foreign branch or subsidiary of a U.S. person shall be determined in accordance with the local law of the host country of the foreign branch or subsidiary. Property in the form of a debt is not held outside the United States if the funds intended to pay that debt are held inside the United States.

(g) The provisions of this section apply to the United States Government and any agency or instrumentality thereof, except as otherwise licensed by the Office of Foreign Assets Control.

(h) Solely for purposes of this section, the term "effective date" shall mean December 1, 1979.

(Secs. 201–207, 91 Stat. 1626, 50 U.S.C. 1701–1706; EO No. 12170, 44 FR 65720; EO 12211, 45 FR 26685)

Dated: July 2, 1980.

DENNIS M. O'CONNELL,
Acting Director.

Approved:

RICHARD J. DAVIS,
Assistant Secretary.

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